

"(B) is carrying out the contract in a manner substantially inconsistent with the efficient and effective administration of this section: or

"(C) no longer substantially meets the applicable conditions of subsections (b), (c), (e), and (f)."

(2) OTHER INTERMEDIATE SANCTIONS FOR MISCELLANEOUS

PROGRAM VIOLATIONS.—Section 1876(i)(6)

(42 U.S.C. 1395mm(i)(6)) is amended by adding at the end the following new subparagraph:

"(C) In the case of an eligible organization for which the Secretary makes a determination under paragraph (1), the basis of which is not described in subparagraph (A), the Secretary may apply the following intermediate sanctions:

"(i) Civil money penalties of not more than \$25,000 for each determination under paragraph (1) if the deficiency that is the basis of the determination has directly adversely affected (or has the substantial likelihood of adversely affecting) an individual covered under the organization's contract.

"(ii) Civil money penalties of not more than \$10,000 for each week beginning after the initiation of procedures by the Secretary under paragraph (9) during which the deficiency that is the basis of a determination under paragraph (1) exists.

"(iii) Suspension of enrollment of individuals under this section after the date the Secretary notifies the organization of a determination under paragraph (1) and until the Secretary is satisfied that the deficiency that is the basis for the determination has been corrected and is not likely to recur."

(3) PROCEDURES FOR IMPOSING SANCTIONS.—

Section 1876(i)

(42 U.S.C. 1395mm(i)) is amended by adding at the end the following new paragraph:

"(9) The Secretary may terminate a contract with an eligible organization under this section or may impose the intermediate sanctions described in paragraph (6) on the organization in accordance with formal investigation and compliance procedures established by the Secretary under which—

"(A) the Secretary first provides the organization with the reasonable opportunity to develop and implement

a corrective
action plan to correct the deficiencies that were
the basis of
the Secretary's determination under paragraph
(1) and the
organization fails to develop or implement such a
plan:

"(B) in deciding whether to impose sanctions,
the Secretary
considers aggravating factors such as whether an
organization
has a history of deficiencies or has not taken
action to correct
deficiencies the Secretary has brought to the
organization's
attention;

"(C) there are no unreasonable or
unnecessary delays
between the finding of a deficiency and the
imposition of sanc-
tions; and

"(D) the Secretary provides the organization
with reason-
able notice and opportunity for hearing
(including the right
to appeal an initial decision) before imposing
any sanction
or terminating the contract."

(4) CONFORMING AMENDMENTS.—Section 1876(i)
(6)(B) (42

U.S.C. 1395m(i)(6)(B)) is amended by striking
the second
sentence.